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Fifty-third session
Item 93 of the provisional agenda*
Question of East Timor

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Progress report of the Secretary-General

1. As I indicated in my last report to the Assembly (A/52/349), I have continued to pursue my good offices with increased intensity in the search for a just, comprehensive and internationally acceptable solution to the question of East Timor. I am happy to report that the negotiations that have gone on for many years have moved in a positive direction recently, bringing new promise for an early settlement of the problem.

2. On the basis of the understandings reached at my meeting with the Foreign Ministers of Indonesia and Portugal in June 1997, the tripartite talks have continued at the level of senior officials from both sides under the chairmanship of my Personal Representative, Jamsheed Marker. Since the initial meetings of August 1997, three rounds of senior officials' meetings were held in New York (1 to 3 October 1997, 5 to 7 November 1997 and 6 to 8 May 1998). The talks have been conducted in a serious, confidential and purposeful manner.

3. On 3 April 1998, I met separately in London with the then Vice-President of Indonesia, B. J. Habibie, and Prime Minister Antonio Guterres of Portugal and discussed the need for early progress in the negotiations. On 8 June 1998, I had a useful meeting with the President of Portugal, Jorge Sampaio, in New York.

4. The change of leadership in Indonesia in May 1998 and the new era of reform that the country has embarked upon have opened possibilities for the resolution of this long-running dispute. On 18 June 1998, I met in New York with the Foreign Minister of Indonesia, Ali Alatas, who presented a proposal for the solution of the question of East Timor based on the granting of special status to the Territory that would give it a wide degree of autonomy within the Indonesian State. I welcomed the proposal as a positive and important shift in Indonesia's position, while at the same time emphasizing to the Minister the need to involve East Timorese more directly in the process. Soon after, my Personal Representative travelled to Portugal from 25 to 28 June 1998 and conveyed the Indonesian proposal to President Sampaio, Prime Minister Guterres and Foreign Minister Jaime Gama. While in Lisbon, Mr. Marker also held meetings with a wide range of East Timorese representatives. I am happy to report that the Government of Portugal responded in a positive manner to the Indonesian proposal.

5. Mr. Marker then travelled to Indonesia and East Timor from 16 to 23 July 1998. He discussed all aspects of the East Timor issue with President Habibie, Foreign Minister Alatas, other senior civilian and military officials, leading Indonesian opposition politicians and political figures, as well as with members of the armed forces. He also met in

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Cipinang Prison with Xanana Gusmao, the leader of the East Timorese resistance, who is serving a 20-year sentence. In Baucau, East Timor, he met with Monsignor Carlos Ximenes Belo, Nobel laureate and Apostolic Administrator of Dili, Bishop Basilio do Nascimento, Apostolic Administrator of Baucau, the local Indonesian Government authorities and a broad spectrum of East Timorese representatives.

6. On the basis of those extensive discussions, I invited Foreign Ministers Alatas and Gama to New York on 4 and 5 August 1998 for high-level talks aimed at giving the negotiations a new thrust and at breaking the deadlock that had thus far stymied substantive progress. The talks produced very positive results, which might well prove to be a turning point in the resolution of the problem.[1]

7. At those talks, the two sides agreed to hold in-depth discussions on Indonesia's proposals for a special autonomous status for East Timor, without prejudice to their basic positions of principle. Preparations are currently under way for their senior officials to begin intensive discussions beginning in October 1998 under the chairmanship of my Personal Representative and to report to the ministerial meeting at an early date. It is hoped that an agreement can be reached on this issue before the end of the year. Another important outcome of the talks was the agreement to involve the East Timorese more closely in the search for a solution. As stated at the conclusion of the August talks, I have begun an intensified effort to associate key East Timorese leaders in the process. While in Lisbon during my official visit to Portugal, I held very useful meetings on 8 August 1998 with Monsignor Belo and with Jose Ramos-Horta, Deputy President of the Political Commission of the National Council of Timorese Resistance. Further consultations are also being carried out in Jakarta and in East Timor with other East Timorese leaders, including Mr. Gusmao, and similar efforts will continue in the months ahead. It is my strong belief that a more active involvement of the East Timorese is imperative to the peaceful and effective resolution of the problem. Another major step was taken at the talks on 4 and 5 August, with a move towards an eventual normalization of relations between Indonesia and Portugal. The two sides agreed to establish interest sections in friendly embassies in each other's capitals by the end of 1998. It is hoped that this important step, coupled with other measures such as the substantive reduction of Indonesia's military forces in East Timor and the release of all East Timorese political prisoners, will foster confidence and assist in achieving a viable political solution to the question of East Timor.

8. From 20 to 23 October 1997, another round of the All-Inclusive Intra-East Timorese Dialogue (AIETD) was held at Krumbach Castle in Austria, with the assistance of the host Government, Austria, and a number of other Member States that contributed financially. The gathering, which brought together 34 East Timorese of diverse political backgrounds, was held under the same terms of reference as the first two meetings held in June 1995 and March 1996. Without addressing the issue of the political status of East Timor, the participants discussed, and proposed in their final declaration, various practical ideas aimed at assisting the search for a long-term settlement of the problem. Preparations are being made for the holding of another meeting of AIETD in the month of October 1998, also in Austria. I am most grateful to a number of Member States, and especially to the Government of Austria, for providing the financial support and the facilities for the organization of AIETD, which forms an important element in the search for a solution to the problem of East Timor.

9. I am most encouraged by the above developments and intend to build on the progress achieved thus far towards achieving a lasting settlement.

Notes

[1] See press releases SG/SM/6666 and SG/SM/6664 dated 5 and 6 August 1998, respectively.

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Implementation of the outcome of the World Summit for Social Development

Social development, including questions relating to the world social situation and to youth, ageing, disabled persons and the family

Human rights questions: human rights questions, including alternative approaches for improving the effective enjoyment of human rights and fundamental freedoms

Letter dated 20 August 1998 from the Permanent Representative of Austria to the United Nations addressed to the Secretary-General

I have the honour to transmit the text of the report of the International Expert Meeting on Innovative Employment Initiatives, which was held at the United Nations Office at Vienna/Vienna International Centre from 2 to 6 February 1998 (see annex).

This meeting had originally been proposed by then Federal Chancellor Franz Vranitzky to the World Summit for Social Development and was welcomed by the General Assembly in its resolutions 51/102 of 12 December 1996 and 52/25 of 26 November 1997. It was organized by the European Centre for Social Welfare and Research, Vienna, and was hosted by Austria as a European initiative to the regional follow-up to the Copenhagen Summit.

The objective of the high-level expert meeting was the elaboration of different innovative approaches to improve the employment situation in Europe and to develop further instruments to fight unemployment.

The meeting was attended by about 90 experts from 26 countries of the European region and the United States of America, researchers, representatives of Governments, representatives of the United Nations Secretariat, the Economic Commission for Europe, the International Labour Organization and the Commission of the European Union. Civil society and non-governmental organizations also contributed actively to the findings of the conference.

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I should be grateful if you would have the text of the present letter and its annex circulated as a document of the General Assembly, under agenda items 37, 103 and 113 (b).

(Signed) Ernst **Sucharipa**
Ambassador
Permanent Representative of Austria
to the United Nations

Annex

Policy Recommendations on Innovative Employment Initiatives

The Social Summit and the Search for Democratic Market Economies

The follow-up to the Social Summit involves different actors and different perspectives: from governments to academics and from the implementation of targets to the clarification of concepts. Also, rather than an official recognition of the legitimacy and objectives of a pre-existing movement, the Copenhagen Summit was a UN effort to initiate a process.

A critical domain for follow-up is the reintegration of the economic realm into a social and political perspective, and the subordination of economic concepts and policies to societal objectives. The dominant civilisation has deified economic transactions and material comfort and instrumentalised human relations and aspirations.

To go against this current and to work for a renaissance of the spirit, one of the tasks is to democratise market economies. An economic system has no intrinsic value. It has to be assessed in relation with its performance in at least four domains: provision of income and work opportunities to the maximum number of people; creation of time and space for individuals and communities to have intellectual, artistic, spiritual or simply convivial activities; participation in decisions affecting individual and collective welfare; and, generation of enough resources for public institutions to promote the common good.

The degree of fulfilment of these objectives defines the democratic character of an economy. The decision of Austria to have a regional follow-up on Innovative Employment Initiatives is directly relevant to the pursuit of this goal. Rooted in the European experience and culture, this work also addresses questions of interest to all societies and testifies of the capacity of Europe to contribute to the development of more humane economies at the national and global levels.

Markets are indispensable instruments of the social fabric and are always regulated, by public and/or private actions. Currently, markets do not contribute sufficiently to the implementation of the objectives of the Social Summit. Four directions for thinking and action may be discerned:

Pursue Economic Social Justice.

Measures of redistribution of the safety-net type are critical but not sufficient. Economic justice means essentially a good distribution of work opportunities and fair rewards for the work done. Difficulties of making employment a real priority are well known. Yet some of the characteristics of a war economy should perhaps be applied to the

search for more and better employment. Measures are also required to narrow income and salary differentials.

Give Markets an Ethical Foundation.

Not only corruption but many excesses in the use and manipulation of markets for selfish and illegal purposes can be attributed to forms of moral laxism. An utilitarian philosophy not guided by moral principles leads to cynicism. There is also a monetisation of most social relations. The world will become a global market society unless, politically and culturally, time and space is given to the pursuit of other human aspirations.

Balance Global Capitalism with Global Democracy.

There is an enormous democratic deficit at the global level. Not only that a few countries dominate the international scene, but the main actors of the world economy, more powerful than many governments, are not required to debate their strategies and objectives within representative fora. Unions do not provide a sufficient counterweight and the efforts of representatives of the civil society represent only a timid first step towards the organisation of the global community.

Reconcile Individualism and the Search for the Common Good.

Currently, and not only in the Western market economies, the pursuit of self- and national interest is often detrimental to the common good. Solutions imply a stronger and better role of public institutions, a diffusion of the notion of responsibility to the private sector and to the media, the taming of competition, and the consciousness that there is a continuum between the realisation of the self and the welfare of the community. A culture of responsibility and solidarity is necessary for the good functioning of market economies.

How to Reduce Long-Term Unemployment?

Remedies

1. Prevent Long-Term Unemployment
- Use the benefit money better – to subsidise jobs.
- After a period of unemployment, guarantee offers of work.
- The result will be more jobs (the argument about substitution and displacement is based on a bizarre view of the labour market).
- Inflation will not go up because long-term unemployment does not refrain inflation.
  Example: Britain's New Deal for Youth Unemployment.

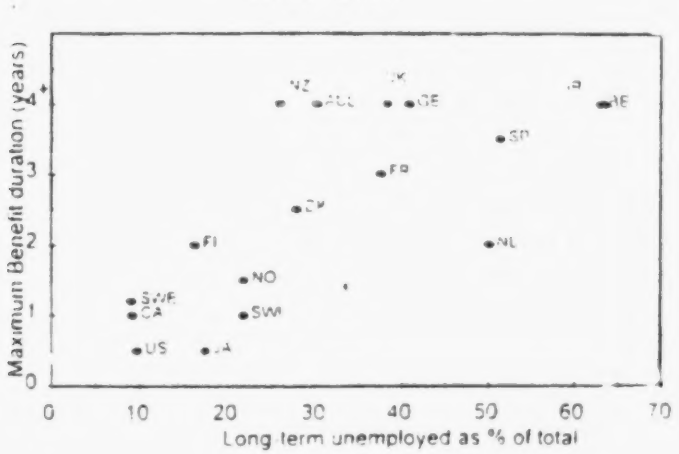
2. Improve Skills
- Reduce number of low-skilled faster than their jobs disappear.
- State is responsible for general skills; companies for company-specific skills.

3. Consensus on Wage Increases
- Worth trying to achieve, despite the struggle.

Per Cent of Labour Force Unemployed, 1996

	All	Under 1 Year	Over 1 Year
France	12.4	7.5	4.9
Germany	9.0	4.7	4.3
Italy	12.0	4.1	7.9
U.K.	8.2	4.9	3.3
U.S.A.	5.4	4.9	0.5

1989-1994



POLICIES / INSTITUTIONS	EFFECT ON UNEMPLOYMENT
TREATMENT OF UNEMPLOYED	
Benefits / Wages	↑
Benefit Duration	↑ (esp LTU)
Active Help	↓
WAGE SETTING	
Union Coverage	↑
Coordination	↓
Flexible Differentials	↓
SKILL FORMATION	↓
EMPLOYMENT PROTECTION	NIL (LTU ↑, STU ↓)
EMPLOYMENT TAXES	NIL
HOURS OF WORK + EARLY RETIREMENT	NIL

Regressions to Explain Log Unemployment Rate (%) (20 OECD Countries: 1983-88 and 1989-94)

	1	2	3
	Total Unemployment	Long-Term Unemployment	Short-Term Unemployment
Employment Protection (1-20)	-0.0032 (0.1)	0.051 (1.5)	-0.046 (1.9)
Replacement Rate (%)	0.011 (2.2)	0.011 (1.4)	0.011 (1.8)
Benefit Duration (years)	0.088 (1.6)	0.25 (2.8)	0.043 (0.7)
Active Labour Market Policies	-0.024 (2.7)	-0.039 (2.9)	0.012 (1.2)
Union Density (%)	0.012 (2.0)	0.010 (1.0)	0.0082 (1.2)
Union Coverage Index (1-3)	0.45 (2.0)	0.83 (2.4)	0.39 (1.6)
Coordination			
(Union+ Employer) (2-6)	-0.46 (5.3)	-0.54 (3.7)	-0.37 (3.5)
Total Tax Rate (%)	0.026 (3.0)	0.023 (1.7)	0.025 (2.5)
Change in Inflation (% pts. p.a.)	-0.17 (1.6)	-0.30 (1.8)	-0.18 (1.8)
Dummy for 1989-94	0.20 (2.1)	0.30 (1.9)	0.17 (1.9)
R^2	0.76	0.84	0.60
N (countries, time)	40 (20, 2)	38 (19, 2)	38 (19, 2)
Hausman Test	$x^{2(9)} = 4.40$	$x^{2(9)} = 4.53$	$x^{2(9)} = 4.17$

Source: S. Nickell and R. Layard in O. Ashenfelter and D. Card (eds.), *Handbook of Labour Economics* (forthcoming).

Coping with Labour Market Disadvantages Associated with Age, Ill-Health and Family Care Obligations

These proposals are guided by some general observations

1. Both the conclusions of the WSSD and the EU Employment policy as developed at the Luxembourg Jobs Summit emphasise two objectives:
   - to reduce levels of unemployment, and especially long-term unemployment;
   - and to increase activity rates among the working age population, expanding the proportion in productive employment

2. The focus upon activity rates underlines the need to create or redistribute jobs. It also emphasises the point that very many of the 'inactive' population are not 'unemployed'; they are perhaps people not seeking work or those who have taken some form of early retirement/pension, or people on long-term disability or invalidity benefits. The proportion of the EU's social protection budget spent on disability and other sickness benefits exceeds that spent on unemployment benefits.

3. The general direction of public policy in both Member States and at EU level is away from passive support of those outside employment towards a range of labour market and social protection measures designed to actively encourage take-up of employment. The European Commission's proposals to modernise social protection systems are being promoted in a context where it is explicitly recognised that: the nature of work is changing; the working and general populations are ageing; and there are strong moves towards ensuring equal opportunities for men and women.

4. The focus of social policy measures is moving increasingly towards prevention as well as reintegration. This applies across a range of reasons for exclusion from the active population; and certainly is reflected in innovative initiatives to counter both unemployment and ill-health. Current efforts to identify of responses to prevent long-term unemployment can be taken further towards the prevention of shorter-term exclusion from employment; this may be particularly relevant for older workers.

5. Policy measures to promote employment engage not only the public policies of governments but also, and often in a linked way, the policies of employers and unions, including collective bargaining agreements, as well as the policies developed by non-governmental organisations and other representative bodies.

With these general observations providing context, specific policy proposals related to labour market disadvantage associated with age, health and family care responsibilities include:

1. Promotion of information and awareness among the social partners, and their representative organisations, of the disadvantages experienced by older workers, but the employment potential of an ageing workforce.

2. Age should be seen as an integral element of equal opportunities policies and direct discrimination, such as in age limits for recruitment or training, should be removed. All parties have a role to play in opposing age discrimination, although in most EU Member States comprehensive legislation is not likely.

3. Measures must be developed, and monitoring introduced, to ensure that an ageing workforce has opportunities to improve skills, or basic literacy if that is an issue, through education and training. Skills development alone may be inadequate to improve the employability of the ageing workforce; as in other age groups there

must be improvement in labour market services, including counselling and job search advice.

4. The flexibility and adaptability of the ageing workforce can be fostered by extension of partial or gradual retirement options; and probably also by rethinking of 'seniority' payment systems. Lifelong 'earning' just as lifelong 'learning' must be reconsidered and reinforced.

5. It is essential to focus upon support measures to SMEs, where the overwhelming majority of jobs are. There are, for example, needs for assistance in training and probably for action to set standards. In these as in most policy innovations at the workplace, there is a need for consolidation and dissemination of good practice.

6. Professional and financial resources should be reallocated from health care functions in the workplace towards prevention and health promotion. Again this is a particularly neglected issue in SMEs where new models of delivery must be implemented and assessed.

7. There has been a lack of initiative to reintegrate workers with health problems into employment. Such measures shuld be linked to training and ergonomic initiaves. Funds currently allocated to disability and long-term sickness benefits could be redirected to increasing the health and working capacity of employees. An emphasis on reintegration, prevention and health promotion will imply – and demand – a reorientation of health and safety, occupational and public health systems.

8. Attention to maintenance of the health of the workforce must continue throughout working ages. There is a need for monitoring, evaluation and development of workplace health initiatives, including perhaps the setting of quality standards.

9. As the population and workforce age there will be increasing attention to reconciliation of work and family life associated with the care of dependent adults and older people, rather than predominantly focusing upon children. Parallel to the development of policies to support working parents, there is a need for policy development and collective bargaining to introduce flexible working hours, provision of information and the development of complementary community-based services to support both dependent persons and their carers.

New Work by Modernizing Times and a Few More Employment Policy Recommendations

In order to reduce unemployment and to create new job opportunities, expansive macro-economic policies and stronger economic growth as well as structural measures are needed. Modernizing working times by more enterprising workhours and flexible lifetiming, i.e. innovative models of shorter and more flexible working time over the life cycle are an integral, yet underexplored and underexperimented part of structural adaptation strategies. They are necessary, but not sufficient to boost

employment and to reduce unemployment. If and to the extent that economic growth, structural adaptation and additional job creation prove to be insufficient to reduce mass unemployment, recourse to new forms of "flexible work-sharing" would be necessary.

The pursuit of effective employment policies also requires a stable international monetary framework. Fluctuating exchange rate regimes reinforce instability and prevent coordinated macro-economic policies at European Union level.

In view of the foregoing, a range of policies, programmes and measures seem to be indicated to reduce unemployment and to create new employment opportunities such as:

- Modernizing working times by reducing and reorganizing workhours can only be achieved under a series of well-specified conditions and prerequesites (such as not undermining competitiveness through rising labour unit costs or eroding purchasing power and effective demand). Thus, worktime reduction traps (such as reducing worktime without any or with full wage compensation or without corresponding worktime flexibilization and decoupling shorter, more variable and annualized workhours from extended operating hours) should be ruled out.

  Among the options for an effective modernization of the world of work, inluding a reduction and reorganization of working time are (in no particular order of priority)*

- Promoting active labour market policies and programmes (subsidies) or vocational training, though to be effective certain prerequesites regarding their design have to be met: relatively precise targeting, careful assessment of individual needs, etc.

- Incomes policies should be maintained or developed and wage moderation be traded for business commitments to investment expansion and higher employment levels.

- Tax reform should focus primarily on supporting domestic demand and on stimulating future investments, in particular in education, research and development and aim at promoting economic growth. Tax relief for small enterprises, reduced corporate taxes for investment purposes, etc.

- A word of caution as to publicly funded job creation measures at high cost: experience from the 1970s and 1980s has shown that short-term measures to maintain and to create employment are most unlikely to counterbalance the medium- and long-term decline in employment.

- Policies aimed at reducing the cost of labour, especially of low-skilled labour (reduction in pay-roll taxes, social security contributions or provision of employment subsidies) should be evaluated and if feasible implemented.

- Removing obstacles and barriers to the foundation and growth of new small enterprises, creating risk capital funds to help them to take off.

- With implementing wage moderation, productivity gains may be increasingly be used to pay-off in long cyclical free time (lifetime savings accounts), while supporting low income groups in order to sustain domestic demand.

- Modernizing working times includes

  - decoupling and stretching operating from working time, multiple job-holder schemes and innovative shift systems

  - broad, voluntary, non-discriminatory and qualified part-time work and individual or "optional working times" ("worktime by choice"), including a "right to unpaid private / personal time-off"

  - converting overtime, "asocial hours" (night, shift, weekend work), hardships, on-call duty, and instant flexibility into time-off

  - other long-term (educational, Sabbatical, etc.) leaves, career breaks, job rotation, and worklifetime savings accounts

  - annualizing and limiting the maximum yearly working time (in exchange for flexibilizing and de-regulating daily and weekly worktime)

  - "Family time(-off)" parental leave, parental part-time, care leave, and other family-oriented and equal opportunity measures

- Evidence from various countries suggests an effectiveness of fixed-term contracts and temporary employment arrangements as measures to reduce long-term unemployment, not necessarily overall unemployment.

- Taking measures to promote and establish a system of life-long learning (for specific targets see Benchmarks: Employment Indicators for Policy-Makers, IV).

- Special attention should be given to develop employment opportunities in rural areas through a variety of measures as envisaged in the "Cork Declaration" and EU Commissioner Fischler's vision of a future encompassing rural policy. It primarily focuses on employment opportunities in rural areas far beyond traditional agricultural farmwork.

- New rural employment opportunities include new, directly marketed forms of tourism such as holidays on farms, in fishing villages etc.; other organized urban - rural - interchanges in a leisure society; consumer and producer cooperatives servicing nearby cities; revitalizing rural areas by endeavours such as village renovation, establishing countryside business education and training centers, by environmental protection industry including climate protection, long-

distance supply of heating, clean water supply, filter and cleansing installations, recycling refuse and waste, afforestation, wooodland improvements, maintenance of farmland for non-agricultural activities, leisure, recreation, entertainment and other tourist-related activities, and a multitude of personal care and social services.

- Promoting telework as an activity and mode of production throughout the entire economy. The proliferation of telework could create employment in urban domains and help to revitalize rural areas. If properly designed and handled, mobile tele-time could provide significant advantages to both employers (productivity increases, reduction of absenteeism, turnover, office expenses etc.), employees (time sovereignty, reduced commuting time, less living expenditures, labour market access of vulnerable groups such as disabled persons), clients and the public at large (extended operating and servicing times, less traffic, accidents, environmental pollution). Empirical studies indicate an enourmous growth potential of qualified telework.

- Promoting the development of a third "independent sector" or "social economy" (non-commercial and non-profit personal services in the health and social welfare fields) which will remain labour-intensive. This area should not be the exclusive concern of national and local governments, but also of intermediary associations, NGOs etc. opening up alternative forms of activities and financed not only by public funds but also through charitable ressources and the customers. This non-profit sector could be financed through part of gains produced in the information and communication economy.

- Making maximum use of European Social Fund operations to promote employment in the least developed and rural regions in order to combat long-term unemployment (including subsidies for training, promotion of self-employment, integration of young people into employment).

The Reduction of Working Time, Pay and Employment

1)

Over the past 20 years, earnings inequality has increased in many countries. The OECD showed in its *Employment Outlook* 1996 and 1997 that there is no positive correlation between employment and earnings inequality and that the unemployment rate of the low skilled is not lower in countries with high earnings inequality than in countries with a low earnings inequality. Lower wages for the unskilled reduce incentives to invest in training. Increasing earnings inequality also forces workers to offer more working hours and would end a policy of work-sharing. To avoid poverty and decreasing investments in training for an increasing proportion of the workforce, there should be established minimum wages which guarantee a decent living. The productivity of the low skilled should be increased by creating incentives (for example tax incentives) for training and private/public training schemes.

2)

Worksharing is an important tool to reduce unemployment. It can, however, be effectively used only under certain conditions. The social partners and the state should try to create these conditions which are favourable to a successful policy of work-sharing:

- The wage compensation for working-time reductions and the increase in hourly rates should be negotiated as part of an overall package, in order to control the rise in unit wage costs.
- Working-time reductions should be combined with the flexibilisation of working time. This makes it easier for firms to develop new forms of work organisation better suited to shorter working times.
- Work can be redistributed only in a functional flexible labour market, in which there is an adequate supply of skilled workers. So training is not the only key for innovation and productivity increases but also for work-sharing.
- Social security contributions should be made variable, i.e. proportional to actual hours worked, in order to reduce the obstacles to recruitment arising out of high fixed costs.
- Employees will accept a temporary or permanent change from full-time to part-time employment if they do not lose their social security entitlements and their hourly pay rates do not fall as a result. Part-timers should therefore be on an equal footing with full-timers in respect of social security, pay and working conditions.
- The gender pay gap should be reduced to avoid negative incentives for sharing paid working hours between men and women.

Workplace Innovation and Employment in Europe

1. A large European management survey with nearly 6000 companies demonstrates the innovative potential for employment creation and retention in regard of 3 workplace strategies related to functional flexibility in the organisation of work:
   - flexibility based on comprehensive group work and job enrichment;
   - comprehensive internal flexibility combining numerical flexibility via part-time and temporary contract work with the introduction of group work and job enrichment with strong direct participation (DP);
   - integrated product and process innovation including NIT and comprehensive internal flexibility on work organisation with strong DP.

2. Despite the fact that some of these strategies are strongly advocated by parties involved on the company level and on the general political level, the 3 innovative workplace strategies are only used in a comprehensive and integrated way by a small minority of companies in Europe, i.e. between 6 and 2%. The percentage of passive companies in regard of those 3 employment strategies varies between 42% (no functional flexibility) and 23% (no internal flexibility and no innovation). There is a gap between practice and ideas. Leaving aside the notion of still existing constraints for

flexibility in the institutional setting, the research results suggest that management under-utilises the potential for internal flexibility and innovation for employment creation and retention. One possible explanation could be the general lack of entrepreneurial and risk-taking culture as a basic European weakness.

3. Companies have a strategic choice, how to use improved competitiveness and increased profits due to workplace innovation based on increased internal flexibility. One direction is a short-term rationalisation, cost-cutting and profit maximisation strategy. Thus, improved productivity, quality and adaptability together with lower unit labour costs would be used for a reduction of the labour force. Another direction for management within a wider concept of workplace innovation is to use their improved economic performance as an opportunity to invest in new products and production processes, in improved marketing and distribution and in their workforce via increased vocational training and improved social skills.

4. What can be done on the company level to overcome existing barriers of management? One policy objective should be to support effective learning and communication via the establishment of networks between companies and other institutions on the horizontal and vertical level, but also within a regional context. Some good examples are already available (LOM programme, shared learning initiative).

5. Received wisdom is that in management of change situation, one looks to a particular individual or group to exercise a leadership role. There is a strong case to be made for encouraging multinational companies (MNC) to take on such a leadership role in conjunction with networks of small and medium-sized enterprises (SME). MNC are in the forefront in developments of new forms of work organisation; they have the network and resources to learn from and implement "best" practice from around the world. They also have a major presence in many EU Member States with a low diffusion of strong DP. Above all, MNC have a special relationship with SME. The potential for such an approach is demonstrated by a recent report by the European Roundtable of Industrialists. A major EU supported campaign involving MNC and SME could considerably speed up the diffusion of advanced forms of DP within a wider innovation concept.

6. A partnership approach to workplace innovation may also be advisable. Unions and worker representatives in Europe are no longer a serious barrier to organisational change. A study of social partners organisations in all 15 member states of the EU reveals: Far from being a barrier to progress, many unions in Europe are agents of organisational change. Many of them criticise management of not going far and fast enough in using the full potential of DP in organisational change. Knowing the history of the debate on organisational development between the social partners in Europe in the last 20 years, this marks a real and substantial policy shift of the unions in Europe.

7. A challenge for EU policies could be the integration of policies by DG V on human resource development in structural change (ADAPT) and towards a partnership approach on work organisation (Green Paper) with policies of DG XIII on innovation and technology. An effective approach would try to mainstream innovation policy along the above-mentioned strategies of employment creation in the workplace.

Suggestions for Policy Measures from a Trade Union Perspective

1) Downward convergence of interest rates as EMU approaches.

2) Maintain wage moderation.

3) Professionalize services sector (development of quality standards / certification of skills, etc.).

4) Subsidize demand for "services de proximité" (cheques/vouchers, etc.).

5) Increase budgets for, and access to, training – including by activating benefits.

6) Negotiate labour market reform.
   - working time reduction linked to skills development, work organisation and family policies;
   - improve micro incentives to work.

Macro-Economic Employment Policies. Employment Problems from Lack of Policy-Coordination within EU

High unemployment, as observed in our days, does not result from one single cause and cannot be overcome by one single instrument.

While demographic causes of unemployment, structural components, wage inflexibility, lack of qualifications or even rising participation of women are regularly emphasised, lack of demand is rarely mentioned; it is set aside in our days, as it was overexposed two decades ago.

This results partly from our overemphasis of neoclassic market clearing, partly from the peculiar character of our economic situation which may be characterised as an underemployment-profit boom. As we had to learn earlier that inflation can combine with stagnation to stagflation, we have to learn nowadays that unemployment can cohabit with a fairly high utilisation of capital and high profits: In this state of the economy rates of growth and the level of production are relatively low, investment is concentrated on rationalisation, technical progress therefore is labour saving. If economic policy is restrictive or at least non-expansive, such a situation may last for quite a while.

Noticeable employment gains require expansive economic policy. Contrary to the U.S., however, Europe had restrictive monetary and/or fiscal policy in the last decade.

One of the reasons for this was a *lack of policy co-ordination:* In a highly integrated economy with (by and large) fixed exchange rates *national* policy cannot work anymore: Expansive monetary policy lowers interest rates and induces not much more than an outflow of capital, expansive fiscal policy raises purchases of imported rather than of domestic goods.

A monetary union with a common policy is therefore an important precondition for a European full employment policy. Up to now, however, EU-induced (national) policies have *increased* unemployment. Government financial deficits can only be reduced when either the firms increase their financial deficits (external finance) or households reduce their surplus (saving). Both strategies require low interest rates, i.e. an expansive monetary policy. If monetary policy is restrictive or at least non-expansive – as has been the case – household saving is effectively reduced in a third way, by a fall in saving capacity via a fall in demand, unemployment and low real wages.

Given the EU-institutions, as they are planned today, the problem of policy induced unemployment will carry on: For the goal of *price stability* a common central bank is responsible, that is well equipped with instruments and responsible for this very goal only; for the goal of *high employment* national governments are responsible, who have almost no instruments, no monetary policy and almost no fiscal policy.

The use of fiscal policy by national governments (without co-ordination) is limited

- by the low multipliers of national expenditures (high leakage)
- by the necessity of tax increases to finance the resulting deficits
- by increasing interest margins (due to the limited ability to raise taxes)
- by the Maastricht-treaty restrictions

No effective instruments at all will therefore exist *to resist country-specific shocks* to employment, while only a *co-ordination of national fiscal policies* (among themselves and with monetary policy) will be needed to effectively overcome *global shocks.*

Effective employment policy therefore needs a co-ordination institution for fiscal policy, symmetrical to the European Central Bank and with similar power to fight global shocks, as well as at least some fiscal federalism to alleviate country-specific shocks.

On the Flexibility of the Wage Bargaining Process

1. The basic question to be addressed is whether a more decentralized wage bargaining system is a prerequisite for more labour market

flexibility thus creating more employment. In this context the USA are often referred to as an example for a successful model.

2. A hypothesis frequently discussed in the literature claims that either fully decentralized or completely centralized wage bargaining systems ensure real wages which are low enough to provide high employment. The empirical evidence, however, is anything but unambiguously in favour of this hypothesis.

3. The position taken here is that wage bargaining on a medium aggregate level, i.e. for an industry in a broad region, together with exit options for given situations provides a more promising model.

4. Clearly, wage bargaining at the firm level allows for much flexibility in the sense that in an economic downturn wages can be lowered sufficiently according to firm specific requirements. Leaving aside the question, to what extent an adverse shock can indeed be met by wage moderation, it is obvious that the same adjustment process holds in an economic upswing, too. Put differently, wage growth may be lower in recessions but, by the same token, will be higher in boom phases. Hence, the net effect is open. Indeed, in an empirical study for the US Bell/Freeman argue that this type of flexibility was harmful for industry employment.

5. If a single firm has lower wages compared with firms of the same industry this may serve as a negative signal for customers and suppliers of intermediate products and, hence, may enlarge the difficulties the firm is facing anyway. Moreover, since wage bargaining is, in many cases, associated with conflicts, it does not seem to be an unconvincing strategy to relegate these conflicts to the higher (industry) level.

6. These arguments do not mean that there is no need for (additional) flexibility in wage contracts. Contracts on a medium aggregate level can be supplemented by options to deviate from such a contract if the worker's council and the majority of employees agree.

7. Wage bargaining is not only concerned with the wage level but also with the wage structure with respect, for example, to qualifications. A special unemployment problem is the joblessness of low qualified workers. Too large a wage reduction may not only be unacceptable for social reasons, but poses another problem. The level of unemployment benefits and social aid payments may be too high in order to provide incentives enough for recipients of welfare payments. Cutting these payments will not be an acceptable option. To escape from this "trap", a model seems desirable which allows the recipients of those tranfers to earn a certain amount of labour income in addition to the transfers. Clearly, this model is subject to problems but it may help to provide jobs for those unqualified because it allows a wage structure being more flexible downwards thus creating additional jobs and, moreover, employed tranfer recipients are better off than unemployed ones. However, the role of wages should not be overemphasized. For example, wages for less qualified workers in Germany are twice as much as in the USA but their unemployment rates do not differ that much.

Working and Poor: Challenges in Implementing America's "Work First" Strategy

1) "Work First"

A strategy worth considering, although there are uncertainties about its effects, and it may require supplementary measures. It leads to a policy position which puts its emphasis on work-conditioned benefits, where work is the condition of eligibility. For example you cannot get a paid vacation, or time off from work to care for a sick child, unless you have a job.

Rationale:

a) The old policy was a categorical cash entitlement combined with short-term training in job and search skills and some pressure to find work. Rather than increased employment, there was rapid growth in AFDC rolls in the early 1990s. The political view was that the system which created a sustained growth of means-tested benefits in good and bad times was not working.

b) Welfare recipients are likely to have fewer skills and be more disadvantaged than non-recipients. However, non-recipients with the same measured disadvantages and low skills do work more and even have some prospect of moving eventually into better jobs. It is thus possible that welfare recipients are capable of working. The idea of the "work first" policy was to pressure them to do so. Caveat: It is possible that the welfare recipients differ from disadvantaged non-recipients in some unmeasured characteristics, which are barriers to work. To the extent this is so, the strategy may not work. Early indications are that the policy has been accompanied by a large reduction in welfare rolls, although it has also been a period of strong employment growth.

c) The longer recipients draw benefits without work, the lower is the probability they will make a transition to employment. Thus, there is an imperative to achieve results quickly. If the old policy will not do so, try something new, namely a policy of mandating work rather than relying on economic incentives to work.

d) Are jobs available? The program does not require recipients to find good jobs, only that they find some job. It provides a strong incentive for recipients to lower their expectations and take whatever they can get.

At least in a strong economy, there are plenty of jobs, although we do not know what will happen when the economy weakens. Obviously, in some depressed rural areas, and in some inner cities joblessness will still be present.

Limitations and Qualifications:

a) Political rhetoric sometimes claims that the program will eliminate poverty. This seems unlikely in view of the pressure to take any job.

Individuals who work steadily may eventually move out of poverty, but initially it should be expected that many of those who work will remain poor.

b) The "work first" strategy is one response to problems in the system, but it is not necessarily the only way to deal with them.

c) If poverty does remain a social goal, income supplements will be needed although they may be conditional on work in view of the "work first" strategy. To put this recommendation in another way, what emerges in practice is the way that work and income supplements go together. The goal of self-sufficiency without supplements is an illusion.

2) Income Supplementation

a) In the US, there is already a supplement in the form of a tax credit, the Earned Income Tax Credit. In addition, low-income workers may qualify for other support programs. However, the US subsidies do not help all working poor, particularly those closer to the poverty line.

b) Income supplements conditional on work may be more efficient than a cash entitlement since it has stronger incentives to work. One cannot afford not to work, the more attractive are the supplements.

c) Studies have shown considerable work off-the-books under the present system. Although some welfare recipients are already working surreptitiously, if their work continues off-the-books, they would not qualify for the EITC. Will the new system expose off-the-books work? Uncertain.

3) Safety Net

a) In the US, benefits under the old program continue to be available, but can be drawn for no more than 60 months lifetime. What if a person has significant barriers to employment and cannot find enough work? Is it possible to make exceptions for problem cases? The present program makes provision for this contingency by permitting 20% of the current caseload to be exempt from the "work now" requirement. In times of economic recession this limit can be increased. If this exemption ratio becomes very high there is the risk of undermining the rationale of the program.

4) Training

a) The limited training delivered by the old welfare system was not effective. Experience suggests that the welfare agency may not be the best sponsor to manage training. Moreover, the content of the training was limited.

b) It is possible that individuals in bad jobs may be more motivated to get trained and to find a job using that training than a person guaranteed ongoing income support.

Creating Employment Incentives

Unemployment and Training Accounts

The proposal is to create *unemployment and training accounts* (UTAs). Under this programme, every employable person would have an employment account to provide support against job loss and a training account to provide funding to acquire new skills. Instead of paying taxes to finance unemployment support, further education and training, employed people would be required to make regular contributions to their UTAs. The mandatory contributions would rise with their incomes. To maintain the living standards of the poor, the government would pay contributions of the lowest income groups and tax the contributions of the higher income groups. People could also make voluntary contributions in excess of these amounts.

If people become unemployed, they could make limited withdrawals from their unemployment accounts instead of receiving unemployment benefits. If they wished to acquire skills they could draw on their training accounts instead of receiving government grants, subsidies, and loans. If their UTA balances fell below a specified limit, they would receive public assistance on the same basis as under our current system. If their UTA balances became sufficiently high, they could use the surplus funds for other purposes. At the end of their working lives, their remaining UTA balances could be used to top up their pensions.

The Benefit Transfer Program

The aim of the Benefit Transfer Program is simply to redirect the funds that the government currently spends on the unemployed – in the form of unemployment benefits, temporary layoff pay, redundancy subsidies, poverty allowances, and more – so as to give firms an incentive to employ these people. The BTP gives the long-term unemployed people the opportunity to use some of the money that pays for their unemployment support to provide vouchers to firms that hire them. The longer people are unemployed, the greater the vouchers that employers would receive for hiring them. Employers would also be given greater vouchers if they could prove that they were using them entirely to train their new recruits.

Conditional Negative Income Taxes

The conditional negative income tax would involve taxing people in the higher income brackets and offering subsidies (negative income taxes) to those in the lower income brackets the conditions attached to the proposed negative income tax would be analogous to those attached to current unemployment benefits. For instance if, under the current unemployment benefit system, people must provide evidence of serious job search in order to qualify for unemployment benefits, then they must also be requested to provide such evidence under the proposed conditional negative income tax system; if unemployment benefits decline with unemployment duration under the current benefit system, then so too must the negative income taxes.

The broad argument in favour of this switch from unemployment benefits to negative income taxes is that this policy could meet the equity and efficiency objectives of current unemployment benefit systems more effectively than the unemployment benefit systems themselves. Although conditional negative income taxes would generate the same type of policy inefficiencies as unemployment benefits, the former would tend to do so to a lesser degree than the latter. For example, negative income taxes may be expected to discourage job search, but by less than unemployment benefits, for when a worker finds a job, he loses *all* his unemployment benefits, but only a *fraction* of his negative income taxes.

New Labour Strategies for the Labour Market

1. Introduction of an earned income tax credit for the lowest paid employees. This relieves the poverty gap for those moving from benefit to work and are confronted with means-tested subsidies (rent, legal assistance, child care, school fees). Rather than slashing benefits it is better to increase the gap between wages and benefits. This boosts labour supply, but also induces wage moderation and raises the demand for labour. The net effect is an increase in participation rates.

2. Give firms a discount on their tax and premium bill if they hire long-term unemployed people, invest in training and apprenticeships, child care and R&D. This way caring politicians can put cutting taxes on top of their agenda as long as this is used to stimulate social objectives.

3. Go for an active labour market policy whereby unemployment funds are used to subsidise wage costs. In order to avoid dead-weight losses, substitution and displacement the wage subsidies must be targeted at the long-term unemployed, temporary and larger if training is provided. To satifsy the demand of the public, market-oriented forms of wage subsidies such as vouchers are preferable.

4. Stimulate social miles where individuals build up and keep social security rights if and when they work. Current systems of social security are geared towards the traditional breadwinner who has a lifelong job. The challenge is to give flexworkers better social security rights and not to discriminate in favour of the traditional breadwinner.

5. Introduce better child care facilities and flexible retirement in order to boost labour supply and participation. The recipes of the seventies – cutting the working week from above and massive early retirement – no longer work. They reduce labour supply and thus push up wages and lower labour demand. Eventually, the economy runs at a lower pitch with less funds for schools, hospitals, the fight against poverty, etc. The challenge is to give more women a better chance to work more hours and men to work less hours. At the same time, people of 55 years and older should be given the possibility to retire

gradually by moving from a system based on 'end of working life wage' – rights to one of 'middle of working life wage' – rights.

6. Encourage consensus whereby employeees agree to work at more flexible hours (evening, weekend) in exchange for firms agreeing on shorter working hours and better training schemes. Productive ways of reducing working hours – training, sabbatical or child care leave – do not harm employment.

7. Apply a lover VAT rate to labour-intensive services (gardening, shoe repairing, etc.) in order to boost employment among low-skilled workers. In general, shift the burden of taxation away from labour towards value added and pollution.

Demographic Shifts, Fiscal Pressures and Long-term Employment Opportunities

Can the rising demand for more labour-intensive services be financed at a time of fiscal pressures from pensions and monetarist pressures to restrict all forms of public expenditure? The short answer is: *Yes – by ending the hypocritical paradox that both work and early retirement are desirable*. A marginal increase in the age of complete retirement from work will leave older people with more post-retirement years of leisure than a generation ago, and simultaneously help pay for health care that fully retired people need as they live longer. Concurrently, an increased health care and personal social services for the elderly will create many jobs at different skill levels, with additional workers paying additional income tax, contributions to social security funds, and making fewer claims on unemployment benefit. Since the need for long-term health care for terminal decline is a risk makes it specially appropriate for pooling through comprehensive public policies.

Youth Unemployment – Specific Policy Measures

Both cyclical and structural factors have contributed to the employment crisis in the Western European countries. Since the mid-1970s, young people shoulder a disproportionate share of the burden. Whatever the reasons for this situation are, which have been described and analyzed during the last 20 years, the fact remains that since the mid-1970s, the labour market has gradually collapsed for young people between 16 and 21 (even to 26) in most EU countries, with few exceptions, to varying extents. The personal and social costs involved, rather than the economic losses, have made youth unemployment a matter of serious public concern. Yet in spite of the attention given to this problem by international organizations (ILO, OECD, UNESCO, Council of Europe, European Commission), by national education and labour authorities and by research bodies, as may be seen from the innumerable conferences, meetings, seminars and studies on the subject, the problem has remained and with time has worsened. However, most of the recommendations that were the result of all these efforts to deal with the problem, – many of which have not lost their

validity today – have only rarely been implemented, or found their way into fragmented, short-term, often ad hoc responses to longer-term solutions. The reasons would seem to merit closer examination. Political will seems to have been lacking in most countries to implement recommendations proposing incisive changes in the education, training and employment systems.

After years of trial and error with series of usually short-term solutions, i.e. programmes that were to provide basic training or work experience for a limited period of time, some countries have recently began to introduce measures geared to a longer-term perspective. (See "Youth Unemployment – Recent Innovative Initiatives.) Yet much remains to be done such as:

- In the short-term: attention should focus more on the low-ability, disadvantaged (ethnic and other minorities), unqualified (early school leavers, training drop-outs) young people who form half or more of the young unemployed, in the drawing-up of education (numeracy, literacy, basic behavioural skills) and training (basic informatics) programmes to enhance their employability.

- Programmes should be as decentralized as possible, as it is already the case in some countries, by shifting the responsibility for implementation to local bodies (municipalities, local authorities, local firms etc.).

- In the short-and middle term: increasing the efforts of introduction of information technologies – and making the necessary investments – in (a) education, and (b) training. After 20 years of computerization which has enormously and rapidly advanced across the board, computer education in schools is still lagging behind in most European countries (in the U.S. 70% of all high school students do their home work on computers, e.g. in France 2%). Training could be supplemented by the creation of country-wide local training centres for new technologies of the "learning by doing" or "hands-on" type.

- In the short-and middle-term: establishment of coherent national youth policies, i.e. a comprehensive approach in extent and coverage that would link all services – instead of the present compartimentalization of various services, – covering young people – i.e. health, education, training, housing, employment, leisure etc. – through the creation of local contact and service points.

- In the middle- and long-term: the long debated "mismatch" between education, employment and training requirements and opportunities, in other terms, the transition from school to work, cannot be overcome without basic changes in the structure of the school system. Rapid technological changes require new levels and types of skills which education and training are slow to provide. Apart from adapting curricula to these new requirements, the strict separation betweeen academically oriented and vocationally oriented education should be abolished. One way would be the creation of an integrated school system where general academic, vocational and technical subjects receive the same status. Yet even by maintaining the

traditional separation, general education should be more broadly based and contain vocational components as well as ensuring the development of personal and social skills, knowledge and attitudes that are prerequisites for future working life.

Employment in Rural Areas

1) General

Agriculture and forestry remain the two fundamental activities in rural areas. However their relative importance in the economy continues to decrease making inevitable diversification of economic activities in accordance with an integrated approach and a policy of sustainable development.

2) Employment Linked to "Production"

Even if employment in agriculture decreases year by year the production element of agriculture must be maintained as well as that of forestry. Additional employment is envisaged following new developments in the other areas of agriculture. This employment can be linked to

- a policy of quality production
- the processing of farm produce and the direct sale of these products
- regional specialities
- the use of material for renewable energy
- organizing and marketing of these products on a larger scale

The transfer of SME activity from urban to rural areas is an interesting opportunity for those rural areas but does not improve the employment situation on a national level.

3) Employment Linked to the Needs of the Population of Rural Areas

It is a matter of assuring the inhabitants of rural areas the same opportunities and services as those living in urban areas.

4) Employment Linked to the Protection of the Natural Heritage and Leisure Activities

- the development of infrastructures for leisure activities
- new opportunities to allow young city people to experience country life
- the protection of the countryside and nature sites

5) Activities Linked to New Technology and Communications

The development of teleworking requires certain conditions: the existence of the infrastructure and training for the people. These two conditions themselves create employment.

This presentation of the different activities that will create or maintain employment in rural areas underlines the complementarity that exists between these activities and which justifies the development of an integrated approach for the economic development of a rural area.

Benchmarks: Employment Indicators for Policy-Makers

What Employment and Unemployment Policy Goals and How to Measure Them ?

The objectives of employment policies are to maintain or create optimum levels of employment and to significantly reduce persistently high or rising unemployment levels, in particular structural, long-term and youth unemployment.

In view of the new, paradoxical configuration of a simultaneous increase of both employment and unemployment rates in many European countries despite economic growth since the early 1980s ("mass unemployment in high-employment economies"), economic growth continues to be a necessary but is no longer a sufficient condition for job creation; in turn, job creation or even rising employment continues to be a necessary but no longer presents a sufficient condition for limiting or reducing unemployment.

New concepts need to take into account the changing meaning of gainful work, job creation, employment, unemployment and non-employment in job-holding societies with continuously higher levels of activity rates or work aspirations than available levels of paid work: "work society" is not at all running out of work - but European economies are currently running out of full-time full employment for growing labour force populations at current income and working time levels.

Unemployment rates are not any longer reliable and comparable indicators of labour slack and employment performance. The goal of full employment - enhancing productive employment and preventing unemployment - needs to be measured through a variety of operational indicators and indices still to be developed and agreed upon politically. What may be needed are benchmarks or "magic numbers" for assessing employment performance and setting world class quality employment standards for an "active society and high-employment economy".

Therefore, instruments are required to measure the performance of European economies and societies in a global and intra-European "job-contest" and to assess progress towards new forms of full employment. Full employment will have to be redefined in such a way as not to reduce unemployment at the expense of lower levels of employment or shrinking labour force participation, i.e. minor activity rates; by not achieving higher employment despite simultaneously higher unemploy-ment rates; or, in particular, by not boosting employment and even reducing overall unemployment at the expense of structural segregation and social exclusion such as the uniquely high European levels of long-term unemployment (between a third and half, in some EU countries over two thirds of overall unemployment).

In sum, explicit and well-defined employment and unemployment policy targets should be formulated which can be used to monitor performance. Employment performance can be monitored and assessed first in comparison to other countries; secondly, in comparison with past performance of the same economy; and, thirdly, with reference to self-determined, chosen, but explicitly stated and strictly comparable employment goals and objectives.

As a consequence, no "arbitrary" employment standards will be imposed on any single country from inter-governmental institutions; at the same time, arbitrary interpretations or post hoc re-definitions of achievements and failures by governments assessing their economies' employment performance - or not assessing employment performance at all - will become more difficult as either failing or revising employment goals will be more visible.

Thus, by specifying goals in advance, objectives may turn into public commitments: is any job creation, or only additional job creation on balance, or sufficient job creation in order to stop the increase of unemployment, or rising employment sufficient to reduce the levels of unemployment, or employment increase of an order to halve, or even to eliminate overall unemployment rates the specific objective to be achieved ?

Finally, employment policies and employment targets have to take account of the changes in the structure of employment such as a gradual shift towards high skill work and the gendering of segmented labour markets and employment conditions; the more fuzzy boundaries of the primary and other, transient labour markets and between paid and unpaid forms of work; and they have to consider the development of new forms of employment through the emergence and increase of "atypical" or "precarious" forms of work outside the traditional full-time standard employment model such as a variety of part-time and minor employment relationships, of temporary work and fixed-term contracts, self-employment in telework, various forms of night, shift and week-end work, on-call duty and mobile-time, etc.

Benchmarks: Promoting "Magic Numbers" for Setting Standards and Assessing Employment Performance

Similar to the "Maastricht criteria", there are no scientifically undisputed or undisputable standards for assessing employment performance. While they should be meaningful in terms of standards of scientific discourse and methodology, their power and robustness will be in their political consensus, support, and widest possible application - in both setting employment standards and measuring employment performance in a comparative way against agreed upon targets in an international competition for jobs.

These employment/unemployment targets for policy-makers should be

- few in numbers, a maximum of 4 to 5 sets of employment indicators (as the more indicators, the more contradictions, trade-offs between them etc.)

- comprehensive, synthetic indices, encompassing a number of single employment/unemployment indicators, which are simple and easily understood and accepted by a broad public, allowing policy-makers to compare situations at a glance and to refer to them undisputedly

- attainable goals for all countries (employment goals already attained by some countries should, in principle, be attainable for others as well, as with fixed targets goal achievement by some does not prevent others from catching-up; with moving but multiple targets - e.g. the "three best-performing" countries setting standards in each employment / unemployment dimension - countries will develop different employment-performance profiles and different comparative advantages)

- possibly avoiding fixed quantitative goals instead of moving targets and variable thresholds such as "best 3(5) countries", median / mean performance within domain (U.N.-European Region, OECD, OECD-Europe, EU, etc.), as well as rates and direction of change (upward vs. downward development at what pace and time-space-distance to catch-up to average or best-performing countries)

- based on comparable statistics provided by an inter-governmental lead-agency covering the whole U.N.-European Region (not met by Eurostat or OECD)

- contain constraints (proposal D. Meulders): in order to avoid shifts from unemployment to poverty or from full-time work to "dead-end" involuntary and minor part-time, limits to poverty rates (e.g. +1.5 to 1.9 non-weighted mean of three best-performing countries in the field of unemployment = 3.4 Sen poverty index) or to the overall share of minor part-time ("part-time less than "half-time" = 20 hours weekly should not exceed 50% of all part-time") might be introduced

Mapping Employment Performance in the U.N.-European Region by Creating Benchmark Charts

In mapping the employment / unemployment performance of single countries within the U.N.-European Region one should always attempt at indicating possibly

- Target Zone (as postulated from empirical goal achievements)
- Minima / Maxima, indicating the Domain of "Job-Contest"
- Time Span covered by comparative data
- EU-15 (=non-weighted average) and / or EU-Mean and / or EU-Median
- OECD-Total
- U.N.-European-OECD or Non-EU-OECD averages
- 3 - 5 - 10 best 1996 or latest date (or ever, any date in time series)
- 3 - 5 - 10 weakest now (ever) (without names)

- 3 - 5 - 10 best catching-up (biggest absolute or relative rates of change e.g. 1970 - 1996)
- 3 falling most behind (without names) e.g. 1970 - 1996
- 3 typical "non-dynamic", stagnant cases (highest, lowest, closest to average)

Benchmarks: Some Employment / Unemployment Indicators for Policy-Makers as Proposed

I. Activity and Employment Rates in an "Active Civil Society and High Employment Economy"

- +50% activity rate of resident population

=

- Minus one ratio of inactive to active adult (+15years) persons

- + 50% employment rate of resident population

- + 50% of all work (incl. volunteering, household i.e. non-SNA-production) to be converted into paid work or gainful employment (SNA)

- 75 - 80% activity rate of working age population (15-65)

=

- .25 - .33 ratio of inactive to active persons (15 years and older, without old age pensions)

- + 50% share of employment period in average lifetimes (working vs. non-working lifetimes) over the whole life cycle

- 70 - 75% employment rate of working age population (15-65)

- 60 - 66% employment rate of population in working age 15-65 in full-time equivalent

- + 60% youth (15-24) employment rate

- + 90 - 95% youth (15-24) employment & education rate

- + 60% middle-aged and elderly (55-65) labourforce employment rate

- positive employment growth rates in at least 3-4 out of the last five years

- growing self-employment and business formation rates

- minimum volunteering: not less than 5-10% unpaid worktime of working and inactive population of working age (15-65)

II. Limiting Labour Slack and Unemployment Rates

- Maximum of 5,5 - 7% unemployment rates = less than half of current EU unemployment rates (max. 5,5%) or not more than 50%

above the "3-5 best-performing EU / OECD countries" incl. main global competitors (US, Japan, Oceania) = -7% over a period of five years

- underproportionate or almost no "youth unemployment - above 6 month - & inactivity (incl. incarceration) rates" at all, activation measures (!); in the transition period: less than 5-10% youth unemployment & inactivity (incl. incarceration) rates and less than 10% share of youth of overall unemployment

- underproportionate or no long-term unemployment - above 12 month - at all, activation measures (!); in the transition period: less than 1-2% long-term unemployment rate and less than 25% share of long-term unemployment

- increasing prevention (reduced inflow) and increasing re-integration (increased outflow) of long-term unemployment

- prevention of systematic dismissals of middle-aged and so-called elderly employees through early retirement, invalidity and other "easy early-exit schemes", no overproportionate unemployment of "second-half-career" workers (+45y)

- reduced unemployment rates in at least 3-4 out of the last five years

- labour slack rates (e.g. "broad unemployment rates" incl. invalidity pensions, social assistance, early retirement, subsidized employment, etc.) below twice the official unemployment rate

III. Equalization of Employment Opportunities, Unemployment Risks and Reconciliation of Professional Work and Family Life

- Equalizing gender ratios in employment (women as percentage of men in the labour force, increasing and not less than 80%)

- reducing time-space distance in gender ratios (years to catch threshold of "5 best-performing OECD/European countries", given annual rates of change since 1960)

- no more than one generation or 25 years time-lag of time-space differences in female labour force participation to 5 best-performing European countries, given annual rates of change since 1960

- equalizing unemployment risks between women and men

- degree of optionality and non-discrimination of all forms of employment involving shorter than "full-time" working hours (spread of "right to reduced worktime", *temps choisi, individuelle Wahlarbeitszeit*)

- degree of gender-neutrality of part-time work (ratio of male / female part-time rates)

- minor part-time which does not provide a sustainable livelihood ("part-time less than "half-time" = 20 hours weekly) less than 50% of all part-time

- indicators of reduced gender inequalities and gender segregation in labour markets, employment and income development (to be elaborated !)

- indicators of improved compatibility of work and family life, of parental rights at work and "lifetiming flexibility" between jobs, education, leave, re-training and occupational re-entry, etc. (to be elaborated !)

- sufficient wealth of free time or leisure: e.g. actual annual working hours of persons in working age (15-65) not more than about 20% above the "3-5 most time-wealthy OECD societies" (around 2300 annual hours of paid work per household as against 1800 - 2000 in time-wealthiest societies and 2900 - 3000 in time-poorest OECD societies)

IV.(Lifelong) Education, Regenerating Employability through Activation, Vocational Training, Tax Relief

- not more than 5-10% of young persons leaving school or vocational training without any secondary or occupational qualification

- redistribution of education times over the life cycle: not more than 25% of lifetime for early education (or retirement phase), but relaxing working life by mixing training and lifelong education periods, career breaks, Sabbaticals or other leave periods, extended paid vacation and other forms of leisure and productive inactivity into active adult lives

- redistribution of education times over the life cycle: minimum 33% of education & training time spent in (non-universitary) tertiary and lifelong education and vocational training

- gradual extension of lifelong education periods to 1 - 3 - 5% of annual working time

- +25% of all unemployed (beyond which unemployment duration ?) and practically all long-term unemployed (above 12 month unemployment) participating in vocational training or equivalent schemes

- redressing the balance between passive and active labour market measures in the first phase, gradual reduction of passive labour market expenditures to be replaced by upgrading qualification, mobility-enhancing and integration measures (operationalizations to be elaborated)

- less than 40% and possibly less than 33% implicit tax rate on and social security contributions from labour

Innovative Employment Initiatives: Working and Background Documents

1. Working Documents

Bosch, G., The Reduction of Working Time, Pay and Employment

European Centre – Agenda and Timetable in Overview / Provisional Agenda and Timetable / Expert Meeting Presentations / List of Participants / List of Working and Background Documents / Information for Participants / Practical Information

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